

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**PHILIP THAYNE JESSEE and
GREAT SALT LAKE MORTGAGE
INCORPORATED**

Respondents.

ORDER TO SHOW CAUSE

Docket no. SD-05-0072

Docket no. SD-05-0073

**TO: Philip Thayne Jessee
1310 South Cave Hollow Lane
Farmington, Utah 84025**

**Great Salt Lake Mortgage Incorporated
1355 North Main Street, Suite 11
Bountiful, Utah 84010**

It appears to the Director of the Utah Division of Securities (Director) that Philip Thayne Jessee and Great Salt Lake Mortgage Incorporated (collectively Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents is appropriate in this matter because the Division alleges that the Respondents violated § 61-1-1 (Securities Fraud), § 61-1-3 (Sale by Unlicensed Agent) and § 61-1-7 (Sale of Unregistered Securities) of the Act while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE PARTIES AND ENTITIES

2. Philip Thayne Jessee's (Jessee) address is 1310 South Cave Hollow Lane, Farmington, Utah.
3. Great Salt Lake Mortgage Inc. (GSLM) registered as a Utah corporation on August 14, 1998, but became "Delinquent" on August 14, 2005. GSLM's address is 1355 North Main, Suite 11, Bountiful, Utah. Jessee is the president, director and registered agent of GSLM.

GENERAL ALLEGATIONS

4. Between December 1999 and January 2005, Jessee solicited and sold more than \$5 million dollars in GSLM investments to approximately 46 investors, 33 of whom are Utah residents.
5. The investments were in the form of promissory notes issued by GSLM and signed by Jessee as president of GSLM. The majority of the notes were unsecured, short-term (three months), and offered a high loan/interest fee to the investor. Of the twenty investors interviewed, the interest rates they received on the promissory notes ranged from 5% to 18%.

6. Jessee told many of his investors there was little to no risk involved because they would be secured by real estate. Jessee told many investors he had been in the private loan business for ten years, that there was an on-going demand for short-term funding and he could “do deals all day long”. Jessee also told investors he had made other investors a lot of money, and therefore had a number of satisfied investors.
7. Investors received different explanations from Jessee as to how he would use their money. Some investors were told their money would be used to extend short-term loans to individuals purchasing a home, while long-term funding was pending. One investor was told his money would be used to extend a loan to an individual who was purchasing equipment. Others were told their money would be used to facilitate real estate transactions, or used to fix up a home that would later be sold. Jessee told one investor he would use his funds to open a restaurant in Bountiful, Utah.
8. Jessee’s investors were typically friends and acquaintances who referred their friends, relatives, and neighbors to GSLM.
9. In most cases, investors held several notes over the time period they invested with Jessee. Jessee typically paid investors in full on the early notes to gain their trust, then failed to pay on the later notes.
10. Beginning in late 2004, Respondents failed to pay some investors amounts due on their notes. The following Utah investors filed suit against Jessee to recover their investments:
 - a. D.J. filed suit against Jessee on March 11, 2005, and on May 5, 2005 received a judgment of \$151,000;

- b. A.J.H. filed suit against Jessee on April 4, 2005, and on July 6, 2005 received a judgment of \$111,193; and
 - c. T.B. filed suit against Jessee on April 15, 2005, and the case is pending.
11. Despite their inability to repay notes outstanding and the imposition of two tax liens, Respondents kept soliciting new money from investors as late as January 2005.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1(2) of the Act (Philip Thayne Jessee & Great Salt Lake Mortgage, Inc.)

12. The Division incorporates and re-alleges paragraphs 1 through 11.
13. The promissory notes offered and sold by Jessee and GSLM are securities under §61-1-13 of the Act.
14. In connection with the offer and sale of securities to Utah investors, Jessee and GSLM, directly and /or indirectly made the following misrepresentations of material fact:
- a. That their promissory notes were secured by real estate, when in fact they were not;
 - b. That the investment was risk free, when in fact every investment of money has some degree of risk; and
 - c. That Jessee had other investors who were pleased and satisfied, and that he made investors a lot of money, when in fact some investors were not receiving interest payments.
15. In connection with the offer and sale of securities to Utah investors, Jessee and GSLM, directly and/or indirectly failed to disclose material information, including, but not

limited to, the following, which was necessary in order to make the representations mentioned above in paragraph 14 not misleading:

- a. That Respondents had several civil suits filed against them between March 2003 and January 2005;
 - b. That in 2003, the Utah State Tax Commission filed two tax liens against Jessee totaling \$16,310;
 - c. GSLM's business and operating history, explaining how long the company had been in business, the types of business in which it engaged, how it found customers, and its general business plan;
 - d. GSLM's financial statements, showing its financial condition and the results of its operations;
 - e. The track record of the company in repaying notes to its investors;
 - g. The risk factors associated with the investment;
 - h. The number of other investors and the amount being raised;
 - i. Whether the investment was marketable (i.e., was liquid);
 - j. Whether sellers of the investment were licensed to sell securities in Utah; and
 - k. Whether the investment was registered under the Act or had qualified for exemption from registration.
16. Jessee and GSLM violated § 61-1-1 of the Act.

COUNT II
Sale by an Unlicensed Agent under § 61-1-3 of the Act
(Philip Thayne Jessee)

17. The Division incorporates and re-alleges paragraphs 1 through 16.

18. Between December 1999 and January 2005, Jessee offered and sold securities in this state.
19. The securities were sold by Jessee as an agent of the issuer (GSLM) and not through a broker-dealer.
20. A search of the Division's records and the records of the Central Registration Depository reveals that Jessee has never been licensed to sell GSLM securities in Utah as an agent of an issuer.
21. Jessee violated § 61-1-3 of the Act.

COUNT III

Sale of an Unregistered Security under § 61-1-7 of the Act (Philip Thayne Jessee & Great Salt Lake Mortgage, Inc.)

22. The Division incorporates and re-alleges paragraphs 1 through 21.
23. The securities offered and sold by the Respondents are not registered with the Division, are not federal covered securities for which a required notice filing has been made, nor do they appear to qualify for an exemption under § 61-1-14 of the Act.
24. Jessee and GSLM violated § 61-1-7 of the Act.

COUNT IV

Fraudulent Practices under § 61-1-1(3) of the Act (Philip Thayne Jessee & Great Salt Lake Mortgage, Inc.)

25. The Division incorporates and re-alleges paragraphs 1 through 24.
26. In connection with the offer and sale of securities, Jessee and GSLM engaged in an act, practice, or course of business which operated as a fraud or deceit upon Utah investors by:

- a. Continuing to solicit money while earlier notes went unpaid, and Jessee and GSLM faced outstanding lawsuits and tax liens;
 - b. Providing one investor with a forged trust deed as security for his investment; and
 - c. Providing one investor with a trust deed that appeared to be properly recorded and stamped by the county recorder's office, when in fact, it had not been recorded.
27. Jessee and GSLM violated § 61-1-1(3) of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, December 19, 2005, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. If Respondents fail to file an answer and appear at the hearing, an order to cease and desist may be issued and a fine imposed by default against Respondents, as provided by Utah Code Ann. §63-46b-11. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents should not be barred from obtaining a securities license in the future under the provisions of Utah Code Ann. § 61-1-20;
- c. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. §§ 61-1-1, 61-1-3, 61-1-7, or any other section of the Act;


- d. Why Philip Thayne Jessee should not be ordered to pay a fine of \$25,000; and
- e. Why Great Salt Lake Mortgage Incorporated should not be ordered to pay a fine of \$50,000.

DATED this 16th day of November, 2005.


WAYNE KLEIN

Director, Utah Division of Securities

Approved:


JEFFREY BUCKNER
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
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Respondents.

NOTICE OF AGENCY ACTION

Docket no. SD-05-0072
Docket no. SD-05-0073

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.


Within thirty (30) days of the mailing date of this notice, you are required to file a written response with the Division. The response you file may be helpful in clarifying, refining or narrowing the facts and violations alleged in the Order to Show Cause. A hearing date has been set for Monday, December 19, 2005, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file a written response, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648.

Your written response should be filed with the Division, attention Pam Radzinski, P.O. Box 146760, Salt Lake City, Utah 84114-6760. A copy also should be mailed to the Division's attorney, Jeff Buckner, Assistant Attorney General in the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City Utah 84114-0872, telephone (801) 366-0310. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to Jeff Buckner.

DATED this 16th day of November, 2005.


WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

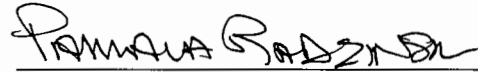
I certify that on the 17th day of NOVEMBER, 2005, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Philip Thayne Jessee
1310 South Cave Hollow Lane
Farmington, Utah 84025

Certified Mail # 7005 1160 0003 7033 9610

Philip Thayne Jessee
Registered Agent for Great Salt Lake Mortgage Incorporated
1355 North Main Street, Suite 11
Bountiful, Utah 84010

Certified Mail # 7005 1160 0003 7033 9634


Executive Secretary